

Europe Italy
Banks Banks

Deutsche Bank



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Credem

Reuters: **EMBI.MI** Bloomberg: **CE IM** Exchange: **MIL** Ticker: **EMBI**

Q3-08 results preview

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Estimates revision: different in revenues. New target price of Euro 5.7

After the new business plan, we revise our estimates on Credem (i.e. increase net interest income and reduce commissions) and cut our forecasts for net profit by 7% in 2009E and 13% in 2010E, lowering our target price to Euro 5.7 from Euro 6.6. Credem is trading at a 2009E adjusted P/E of 7.8x, which is above the Italian banks average (6.9x) and it is still in the process of implementing its capital increase (49.9m new shares, issued at Euro 5/s). So, we maintain our Hold recommendation.

Feedback from analyst meeting

During the analyst meeting, management commented on the recently announced business plan, recognizing that its targets for asset management and commissions already seem too optimistic and will likely not be achieved; this should be partially offset by better-than-expected results in net interest income and by some flexibility in operating costs. Credem's main aim is now to integrate the recently acquired branches (~70), stopping plans for internal growth. However, after having denied any interest in the acquisition of the branches that Intesa Sanpaolo and MPS are currently selling, management confirmed that a further enlargement of Credem's retail network in the medium term (ideally starting from 2010 or before, if an interesting opportunity arises) might be likely and useful to optimize its central and sales functions.

Preview of Q3-08 results due on 13 November 2008

We expect Q3-08 net profit of Euro 32m, which should be significantly lower than the Q2-08 figure due to the lack of the seasonal contribution of dividends and trading income. Overall, revenues should be down both YoY and QoQ. The YoY performance should be related to the poor trends in commissions (AUM outflows) and trading income; these trends should be partially offset by net interest income growth, which should be supported by volume expansion (Credem has a Core Tier 1 ratio of 7%) and spread maintenance (management stated that Credem has no liquidity issues and should not need to increase or replace wholesale funding, thus avoiding deterioration in its cost of funding). Operating costs should grow 2% YoY and decline 2% QoQ. Provisions should be Euro 14m, slightly down vs. Q2-08.

Valuation and risks

We value Credem via a Gordon model (COE: 9.7%, perpetual growth rate: 2.5%). Downside risks: Credem's exposure to asset management and brokerage businesses leaves it open to worsening trends in equity markets. We also cite lack of free float. Upside risk: the support of the bank's main shareholder for the capital increase could sustain a positive trend in Credem's share price. See pp. 8-9.

Forecasts and ratios

Year End Dec 31	2006A	2007A	2008E	2009E
EPS Adjusted (EUR)	0.81	0.92	0.78	0.65
ROE Adjusted (%)	17.0	17.5	16.1	15.0
P/B Tangible (x)	2.2	1.7	1.4	1.3

Source: Deutsche Bank estimates, company data

Deutsche Bank AG/London

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Target Price Revision

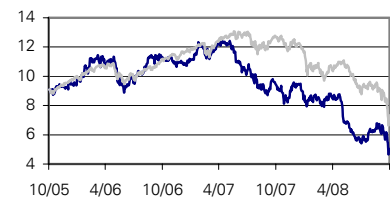
Hold

Price at 13 Oct 2008 (EUR)	5.04
Price Target (EUR)	5.70
52-week range (EUR)	9.59 - 4.66

Key changes

Target Price	6.60 to 5.70 ↓	-13.6%
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Price/price relative



Performance (%)	1m	3m	12m
Absolute	-20.9	-8.5	-47.1
DJ (.STOXXE)	-19.8	-17.9	-42.7

Stock & option liquidity data

Price Target (EUR)	5.70
Market cap (EUR)	1,655
Shares outstanding (m)	279
Free float (%)	1
Option volume (und. shrs., 1M avg.)	-

Model updated: 17 July 2008

Running the numbers**Europe****Italy****Banks****Credem**

Reuters: EMBI.MI

Bloomberg: CE IM

Hold

Price (13 Oct 08) EUR 5.04

Target price EUR 5.70

52-week Range EUR 4.66 - 9.59

Market Cap (m) EURm 1,655
USDm 2,248**Company Profile**

Credem is a banking group, with some 20 subsidiaries. It is based in Emilia Romagna, a region in the Centre of Italy, but it operates through a nationwide retail network (more than 450 branches). It is also active in brokerage and in Investment banking.

Fiscal year end 31-Dec	2005	2006	2007	2008E	2009E	2010E
Data Per Share						
EPS (stated)(EUR)	0.91	0.84	0.90	0.72	0.57	0.62
EPS (DB) (EUR)	0.86	0.81	0.92	0.78	0.65	0.73
Growth Rate - EPS (DB) (%)	68.1	-6.0	13.8	-15.1	-16.8	13.1
DPS (EUR)	0.50	0.35	0.36	0.34	0.34	0.34
BVPS (stated) (EUR)	4.62	5.08	5.62	4.76	5.03	5.35
Tang. NAV p. sh. (EUR)	4.50	4.97	5.51	3.53	3.81	4.13
Market Capitalisation	2,586	2,991	2,630	1,655	1,655	1,655
Shares in issue	274	276	279	279	279	279

Valuation Ratios & Profitability Measures

P/E (stated)	10.4	12.8	10.5	7.0	8.8	8.1
P/E (DB)	11.0	13.3	10.3	6.5	7.8	6.9
P/B (stated)	2.0	2.1	1.7	1.1	1.0	0.9
P/Tangible equity (DB)	2.1	2.2	1.7	1.4	1.3	1.2
ROE(stated)(%)	19.3	17.3	16.7	13.9	11.7	12.0
ROTE (tangible equity) (%)	21.2	17.0	17.5	16.1	15.0	15.7
ROIC (invested capital) (%)	18.1	16.7	17.2	13.9	10.9	11.6
Dividend yield(%)	5.8	3.3	3.4	6.8	6.8	6.8
Dividend cover(x)	1.8	2.4	2.5	2.1	1.7	1.8

Profit & Loss (EURm)

Net interest revenue	366	419	491	568	629	675
Non interest income	582	640	579	430	447	469
Commissions	406	414	377	281	281	296
Trading Revenue	-80	-123	-171	-210	-200	-200
Other revenue	257	349	372	359	366	373
Total revenue	949	1,060	1,070	998	1,076	1,143
Total Operating Costs	608	653	682	682	709	726
Employee Costs	370	388	394	405	422	433
Other costs	238	265	288	278	287	293
Pre-Provision profit/(loss)	337	415	408	325	377	427
Bad debt expense	23	26	54	48	69	82
Operating Profit	318	381	334	267	298	336
Pre-tax associates	0	0	0	0	0	0
Pre-tax profit	318	381	334	267	298	336
Tax	63	148	78	50	117	131
Other post tax items	-5	-1	-7	0	8	0
Stated net profit	250	232	249	217	189	204
Goodwill	0	0	0	0	0	0
Extraordinary & Other items	-14	-9	7	0	-8	0
Bad Debt Provisioning	0	0	0	0	0	0
Investment reval, cap gains / losses	0	0	0	0	0	0
DB adj. core earnings	236	223	256	217	181	204

Key Balance Sheet Items (EURm) & Capital Ratios

Risk-weighted assets	13,879	14,960	16,221	18,722	20,474	22,313
Interest-earning assets	17,957	20,795	22,611	22,611	24,725	26,544
Customer Loans	12,718	14,385	15,763	17,319	18,940	20,641
Total Deposits	9,521	10,917	11,240	12,252	13,354	14,556
Stated Shareholder Equity	1,266	1,415	1,567	1,563	1,654	1,758
Equals: Tangible Equity	1,235	1,384	1,535	1,160	1,252	1,356
Tier 1 capital	1,056	1,175	1,306	1,305	1,393	1,486
Tier 1 ratio (%)	8	8	8	7	7	7
o/w core tier 1 capital ratio (%)	7.6	7.9	8.0	7.0	6.8	6.7

Credit Quality

Gross NPLs/Total Loans(%)	1.30	1.29	1.74	1.62	1.51	1.41
Risk Provisions/NPLs(%)	60	58	58	59	60	60
Bad debt / Avg loans (%)	0.19	0.19	0.36	0.29	0.37	0.40
Bad debt/Pre-Provision Profit(%)	6.8	6.2	13.1	14.8	18.4	19.1

Growth Rates & Key Ratios

Growth in revenues (%)	14	12	1	-7	8	6
Growth in costs (%)	-2	7	4	0	4	2
Growth in bad debts (%)	184	12	109	-10	44	18
Growth in RWA (%)	8	8	8	15	9	9
Net int. margin (%)	2.13	2.16	2.26	2.51	2.55	2.54
Cap.-market rev. / Total revs (%)	21	nm	nm	nm	nm	nm
Total loans / Total deposits (%)	134	132	140	141	142	142

ROTE Decomposition

Revenue % ARWAs	7.11	7.35	6.86	5.71	5.26	5.12
Net interest revenue % ARWA	2.75	2.91	3.15	3.25	3.07	3.02
Non interest revenue % ARWA	4.37	4.44	3.71	2.46	2.18	2.10
Costs/income ratio (%)	64.5	60.8	61.9	67.4	64.9	62.6
Bad debts % ARWAs	0.17	0.18	0.34	0.28	0.34	0.37
Tax rate (%)	19.8	38.8	23.3	18.7	39.4	39.0
Adj. Attr. earnings % ARWA	1.77	1.55	1.64	1.24	0.88	0.92
Capital leverage (ARWA/Equity)	12.0	11.0	10.7	13.0	17.0	17.1
ROTE (Adj. earnings/Ave. equity)	21.2	17.0	17.5	16.1	15.0	15.7

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Source: Company data, Deutsche Bank estimates

Feedback on analyst meeting

2008-2010 business plan

We briefly summarize the main points of Credem's recently presented business plan, as the main topics discussed with management in Reggio Emilia during the analyst meeting were the bank's strategic and economic drivers.

Figure 1: Credem's main business plan guidance and comparison with DB forecasts

	2007	DB 2008E	DB 2009E	DB 2010E	BP 2010E	2010: DB/BP (%)
Net interest income	491	568	629	675	707	-5
Commissions and other income	435	336	338	355	449	-21
Dividends and Trading	144	94	109	113	107	6
Non interest income	579	430	447	469	556	-16
Total revenues	1070	998	1076	1143	1263	-9
Staff costs	394	405	422	433	480	-10
Administrative expenses	237	237	247	254	278	-9
Depreciation	31	30	29	29	33	-13
Total Costs	662	672	699	716	791	-9
Gross operating income	408	325	377	427	472	-10
Loan Loss Provisions	54	48	69	82	88	-7
Risk and Charges Provisions	21	10	10	10	0.9	nm
Extraordinary Income	-7	0	8	0	-10	-100
Pre-tax Income	327	267	306	336	373	-10
Taxes	78		50	117	131	144
Minorities	0	0	0	0	0	0
Net profit	249	217	189	204	229	-11
Customer loans				20,641	22100	-7
Total deposits				21,266	24300	-12
AUM		15209	15454	15920	18900	-16
AUC		24979	25729	26501	26388	0
AUA		40188	41182	42420	45288	-6
Cost/Income				63%	63%	
Cost/Income (no depreciation)				61%	60%	
Provisioning level				0.40%	0.40%	

Source: Deutsche Bank Estimates, company data

The main differences between our expectations and Credem's business plan are in the forecasted volumes growth; the 2008-2010 targeted CAGRs include: (1) 12.4% for customer loans, (2) 9.2% for direct deposits, and (3) 5.0% for indirect deposits.

The company foresees strong growth in customer loans and direct and indirect deposits even if it recognizes that, in 2009E and 2010E, respectively, at system level, competitors should experience, on average, increases in customer loans of 7.5% and 7.9%, in direct funding of 5.6% and 5.2% and in indirect funding of 3.4% and 6.2%.

We do not share this view, because we do not think that there are enough elements of differentiation for Credem to justify levels of growth that are significantly above the system.

In particular, we do not consider the achievement of those volumes targets easily feasible without a higher increase in the cost of credit. In contrast, Credem assumes a substantially stable provisioning level, because of the decision to put on hold the “increasing risk appetite” project started three years ago (as a branch-level incentive scheme aimed at fostering volumes expansion by accepting a consequent enhancement of bad loans until a certain pre-defined level).

Asset management: too optimistic targets

During the analyst meeting, the management recognized that their indirect deposits volumes targets seem too optimistic only one month after the presentation of the business plan. Indeed, the industry has further deteriorated (due to AUM outflows) rather than improved and the trend for 2009E is highly uncertain, in their opinion. This statement is in line with our current forecasts; we might see an update of the business plan guidance in order to take into account this new position on volumes, mainly affecting net commissions. However, other P&L lines (i.e. costs) might experience slightly better performance than originally forecasted by the company.

Additional flexibility on operating costs

We expect improvement in productivity from the relocation of personnel from the headquarters to the commercial network. The employees in the central functions should be 20% of the total workforce, from the current 24% (higher than the system average); this should be the result of the ongoing project to integrate the recently acquired branches into the group’s network.

Moreover, Credem has started to outsource some non-core activities, such as mortgage fulfillment. This choice should be increasingly common among Italian banks with a similar size to Credem because it allows them to optimize expenditures and benefit from the IAS 39 since the costs of the outsourcing service depreciate over the duration of the financing.

External growth: only if there are opportunities...

The management denied being interested in the acquisition of the branches that Intesa Sanpaolo and MPS are currently selling. However, Credem should be willing to further enlarge its retail network in the medium term in order to optimize the relation between the weight of its central and sales functions. This plan should take place ideally after 2010 (after the completion of the new business plan); however, the management believes a scenario where smaller Italian banks look for a partner (for example starting from H2-09) when their profitability has been put at risk by further macroeconomic deterioration is more likely. In this case, Credem might be a buyer, especially because its solvency ratios should be solid and it still has the opportunity to use the second leg of the already approved capital increase (same size, Euro 250m) for this specific purpose.

So, only if any interesting opportunity does not arise, the main aim of the bank is now to integrate the recently acquired branches, stopping the internal growth via the opening of new points of sales.

Estimates revision

Change in revenues mix, revenues and costs up in 2009E-2010E

The drivers of our estimates revision are:

- (1) H108 results for 2008E, because they showed that we were too conservative in our net interest income trend and other income expectations and too optimistic in commissions and trading income;
- (2) 2008-2010 business plan for 2009E and 2010E, because although Credem's final 2010E net profit guidance is in line with our previous forecast, the strategy defined by the bank should generate higher levels of revenues, costs and provisions but lower profitability, compared to our old estimates.

Figure 2: Credem estimates revision

Consolidated data	2008E	2009E	2010E	2008E	2009E	2010E	2008E	2009E	2010E
(Euro million)	new	new	new	Estimates change			new	new	new
Net interest income	531	584	623	7	8	8	568	629	675
Dividends & associates	264	268	272	15	15	15	304	309	313
Trading income	-130	-133	-137	nm	nm	nm	-210	-200	-200
Net commissions & other income	347	362	380	-3	-7	-6	336	338	355
Total net income	1,013	1,080	1,138	-1	0	0	998	1,076	1,143
Total costs	672	679	685	0	3	4	672	699	716
Gross operating result	341	401	452	-4	-6	-6	325	377	427
Total net provisions	58	75	80	0	6	15	58	79	92
Goodwill amortization									
Net operating result	282	326	373	-5	-9	-10	267	298	336
Extraordinary items	8	0	0				0	8	0
Pre-tax profit	290	326	373	-8	-6	-10	267	306	336
Taxes	72	124	144	-31	-5	-9	50	117	131
Minorities	0	0	0				0	0	0
Net Profit	218	202	229	0	-7	-11	217	189	204

Source: Deutsche Bank estimates

We reduce our estimate for Credem's net profit by 7% in 2009E and by 11% in 2010E but keep it unchanged for 2008E. We expect a bottom line of Euro 204m in 2010E, implying an 11% discount to Credem's target.

Figure 3: Credem main P&L trends

	2006	2007	2008E	2009E	2010E	07E/06E	08E/07E	09E/08E	10E/09E	09E/07E	10E/07E
						Ch. (%)	Ch. (%)	Ch. (%)	Ch. (%)	CAGR (%)	CAGR (%)
Net interest income	419	491	568	629	675	17%	16%	11%	7%	13%	11%
Dividends & associates	280	315	304	309	313	12%	-3%	2%	2%	-1%	0%
Trading income	-123	-171	-210	-200	-200	38%	23%	-5%	0%	8%	5%
Net commissions & other income	484	435	336	338	355	-10%	-23%	1%	5%	-12%	-7%
Total net income	1060	1070	998	1076	1143	1%	-7%	8%	6%	0%	2%
Total costs	645	662	672	699	716	3%	2%	4%	2%	3%	3%
Gross operating result	415	408	325	377	427	-2%	-20%	16%	13%	-4%	2%
Total net provisions	34	74	58	79	92	117%	-22%	37%	15%	3%	7%
Goodwill amortization											
Net operating result	381	334	267	298	336	-12%	-20%	11%	13%	-5%	0%
Extraordinary items	9	-7	0	8	0						
Pre-tax profit	390	327	267	306	336	-16%	-18%	14%	10%	-3%	1%
Taxes	148	78	50	117	131	-48%	-36%	135%	12%	23%	19%
Minorities	10	0	0	0	0	-100%	-18%	14%	10%	-3%	1%
Net Profit	232	249	217	189	204	7%	-13%	-13%	8%	-13%	-6%

Source: Deutsche Bank Estimates, company data

We increase our forecasts for net interest income by 7% in 2008E and 8% in 2009E and 2010E so net interest income should grow by 16%, 11% and 7% in 2008E, 2009E and 2010E, respectively. For H208E and for 2009E, the management confirmed that Credem should not need additional wholesale funding, avoiding a massive deterioration of margins. We forecast a deterioration of customer spreads in the range of 30bps, coming from a worsening of the liability spread, partially offset by an improvement of the asset spread.

We reduce our estimates on net commissions by 3%, 7% and 6% in 2008E, 2009E and 2010E, respectively, because we expect further outflows in 2008E, a substantially flat market in 2009E and moderate growth in 2010. So, after a drop of 23% in 2008E, we forecast net fees to remain almost stable in 2009E.

Provisions on loan losses should record strong growth in 2009E, almost in line with what we expect to happen on the system level.

Q308E results preview

Results due on 13 November 2008

We expect a Q308 net profit of Euro 32m, which should be significantly lower than the Q208 figure due to the lack of the seasonal contributions of dividends and trading income.

Figure 4: Credem Q308 results preview

	Q1-07	Q2-07	Q3-07	Q4-07	Q1-08	Q2-08	Q3-08E	QoQ	YoY
	PF	PF	PF	PF				% ch.	% ch.
Net interest income	116	115	129	140	143	138	143	3	11
Dividends & associates	2	277	1	35	0	287	1	nm	nm
Trading income	46	-219	8	-5	8	-217	0	nm	nm
Net commissions & other income	94	105	104	101	86	86	83	-4	-21
Total net income	258	277	242	270	237	295	226	-23	-7
Total costs	159	162	162	146	169	170	166	-2	2
Gross operating result	99	115	80	124	69	124	60	-52	-25
Total net provisions	6	11	8	49	6	15	14	-8	71
Goodwill amortisation	0	0	0	0	0	0	0		
Net operating result	92	104	72	75	63	109	46	-58	-36
Extraordinary items	0	0	0	-6	0	0	0	nm	nm
Pre-tax profit	92	104	72	68	63	109	46	-58	-36
Taxes	37	40	20	-30	16	7	14	nm	-30
Minorities	0	0	-2	-13	0	0	0	nm	nm
Net Profit	55	64	54	112	47	102	32	-68	-40

Source: Deutsche Bank, company data

Overall, revenues should be down both YoY and QoQ. The YoY performance should be related to the poor trends in commissions and trading income, only partially offset by a strong movement in net interest income; in contrast, the QoQ performance should be affected mostly by seasonality, which makes any comparison somewhat inappropriate. In particular, net interest income (Euro 143m) should increase YoY (+11%) due to volumes growth and margins improvements; on a QoQ basis, it should record an increase of 3%, related to the reduced cost of carry that is higher in Q2 due to the trading activities that the bank put in place. Also, net commission and other income should be more or less in line with Q208 at Euro 83m; they should decline 21% YoY, again in relation to the continuing outflows of AUM.

Operating cost should grow 2% YoY and decline 2% QoQ.

Provisions should be Euro 14m, slightly down compared to Q208. Their high YoY growth is still the result of the voluntary "increased risk appetite" of the branches. Loan loss provisioning should reach 6bps.

Valuation

Capital increase

Credem has just started its capital increase. These are the main details:

- Total size: Euro 249.3m
- Price per share: Euro 5
- Ratio: 3 new shares for every 17 owned shares
- Total number of new shares: 49.9m
- Dividends: new shares will not participate in the distribution of dividends on 2008 earnings
- Option rights: they will be negotiated until 27 October 2008
- Guarantee: the main shareholder of Credem (Maramotti family) will underwrite rights that are not exercised by other shareholders.

At the date of the announcement (8 October 2008) the price of the capital increase was above the market price of Credem's shares.

Target price

We reduce our target price to Euro 5.7 from Euro 6.6 as a result of the estimates revision that we detail in the previous paragraph and after taking into account the new number of shares that the company has after its capital increase. We value Credem using a Gordon Growth model (RoE-g/CoE-g) to derive a target price/book value multiple. Our 2.5% perpetual growth rate is embedding our medium-term assumption on Italian GDP growth, which could be a good proxy for medium-term growth in a mature market such as banking). We apply the resulting 2.0x multiple to our 2010 estimate of average tangible equity per share, and then discount back at 9.7%.

Figure 5: Valuation

	2009E	2010E
Equity	1654	1758
Goodwill	402	402
Tangible equity	1252	1356
Average Tangible equity		1304
Adjusted net profit	183	204
Average ROTE (%)		15.7
Shares (#)		329
Average Tangible equity per share		4.0
Free risk rate		5.0
Beta		1.18
Market premium		4.0
Discount factor		9.7
G		2.5
Fair value		7.2
Target price		5.7

Source: Deutsche Bank Estimates

After its capital increase, Credem should have a Core Tier 1 ratio close to 7%, assuming an almost flat DPS versus 2007 level. This assumption has been provided by the company, which also confirmed that the dividends payout might even be slightly higher than the "historical" 50%, in order to keep the DPS almost stable over the period of the plan.

Risks

As far as generic risks are concerned, we think that Credem, like its peers, remains exposed to a potential downturn in the economic environment, which could affect our revenues and loan loss provisions assumptions. Moreover, the new and constant attention that a number of authorities (customer associations, antitrust, the European Union, the Bank of Italy) are paying to the costs of banking services in Italy (in comparison with the lower European average) could be another reason for increasing competition and for margin pressure on the whole system.

As far as specific risks are concerned, we believe that due to its exposure to the asset management and brokerage businesses, Credem would be negatively affected by any unexpected worsening in equity market trends. Credem is also exposed to export-oriented areas and industrial districts and could be negatively affected by changes in the EUR-USD exchange rate. Finally, the lack of free float could be another specific risk for the bank.

Appendix 1

Important Disclosures

Additional information available upon request

Disclosure checklist

Company	Ticker	Recent price*	Disclosure
Credem	EMBI.MI	5.04 (EUR) 13 Oct 08	8

*Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies.

Important Disclosures Required by U.S. Regulators

Disclosures marked with an asterisk may also be required by at least one jurisdiction in addition to the United States. See "Important Disclosures Required by Non-US Regulators" and Explanatory Notes.

- 8. Deutsche Bank and/or its affiliate(s) expects to receive, or intends to seek, compensation for investment banking services from this company in the next three months.

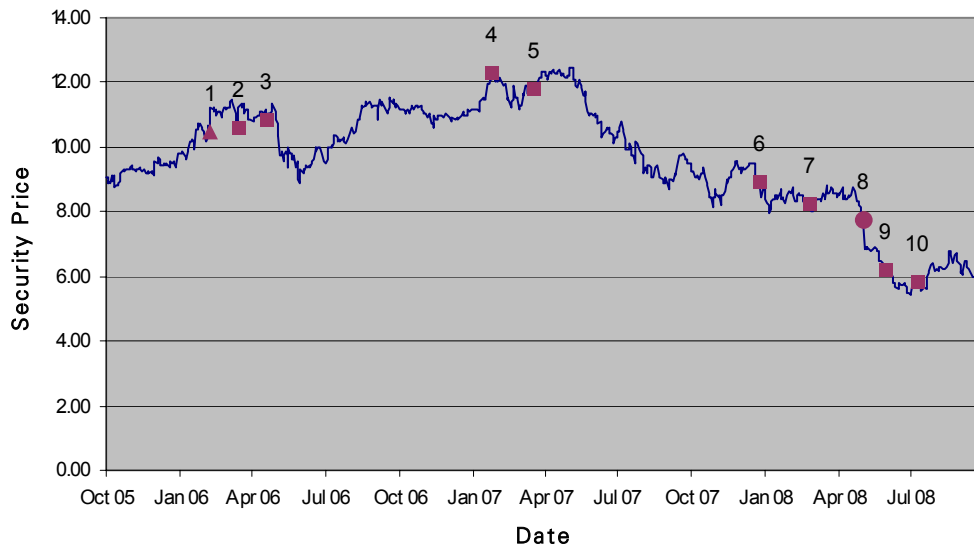
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Historical recommendations and target price: Credem (EMBI.MI)

(as of 13/10/2008)



Previous Recommendations

- Strong Buy
- Buy
- Market Perform
- Underperform
- Not Rated
- Suspended Rating

Current Recommendations

- Buy
- Hold
- Sell
- Not Rated
- Suspended Rating

*New Recommendation Structure as of September 9, 2002

1.	22/2/2006:	Upgrade to Buy, Target Price Change EUR12.70	6.	8/1/2008:	Buy, Target Price Change EUR11.20
2.	30/3/2006:	Buy, Target Price Change EUR13.00	7.	12/3/2008:	Buy, Target Price Change EUR10.40
3.	4/5/2006:	Buy, Target Price Change EUR13.40	8.	16/5/2008:	Downgrade to Hold, Target Price Change EUR8.90
4.	8/2/2007:	Buy, Target Price Change EUR14.00	9.	13/6/2008:	Hold, Target Price Change EUR8.60
5.	3/4/2007:	Buy, Target Price Change EUR14.30	10.	23/7/2008:	Hold, Target Price Change EUR6.60

Equity rating key

Equity rating dispersion and banking relationships

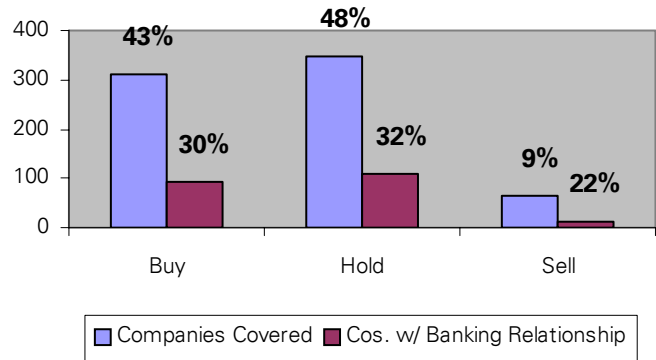
Buy: Based on a current 12- month view of total shareholder return (TSR = percentage change in share price from current price to projected target price plus projected dividend yield) , we recommend that investors buy the stock.

Sell: Based on a current 12-month view of total shareholder return, we recommend that investors sell the stock

Hold: We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.

Notes:

- Newly issued research recommendations and target prices always supersede previously published research.
- Ratings definitions prior to 27 January, 2007 were:
 - Buy: Expected total return (including dividends) of 10% or more over a 12-month period
 - Hold: Expected total return (including dividends) between -10% and 10% over a 12-month period
 - Sell: Expected total return (including dividends) of -10% or worse over a 12-month period



European Universe

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